sense 91

The 91st consecutive issue in a series of periodicals devoted to strategic communications issues affecting top management.

Herbert M. Baum
President
Campbell U.S.A.

Allen H. Neuharth
Retired Chairman, Gannett Co., Inc.
Founder, USA Today

Sanford I. Weill
Chairman, President
and Chief Executive Officer
Primerica Corporation

What Makes a Brand's Image Valuable?

The Importance of Managing the Asset.

Lippincott & Margulies Inc

What Makes a Brand's Image Valuable? The Importance of Managing the Asset.

The takeovers and restructurings that are reshaping the business landscape have also focused unprecedented attention on the valuation of brand images. Even accountants and the investment community are paying attention by developing new formulae to calculate brand values and innovative new balance sheet structures that assign a dollar value to those assets.

These are healthy trends. For too long, the valuation of brand images was reactive and inconsistent. This new focus on brand values has also stimulated corporate and brand managers, as well as new product developers, to address three important, related issues:

- What makes a brand's image valuable?
- How are winning brands created?
- What can management do to grow and sustain brand value over time?

For almost 50 years, Lippincott & Margulies has been helping clients to manage and to increase the value of their brand images. The key word here is "manage." Today as always, brands communicate a commitment — to meet expectations about product quality, value, service, safety, etc. — and a promise to consistently meet those expectations. Relax those commitments, break your promises, and you devalue the brand; devalue the brand, and your customers will look elsewhere for what they used to get from you, thus diluting your most proprietary and irreplaceable asset. Brand images, in short, become valuable by managing those images as aggressively as other, more tangible assets: for all they are worth.

Clive Chajet
Chairman and Chief Executive Officer
Lippincott & Margulies Inc

Our guests in this 91st issue of *Sense* are Herbert M. Baum, President, Campbell U.S.A.; Allen H. Neuharth, Retired Chairman, Gannett Co., Inc., Founder, USA Today; and Sanford I. Weill, Chairman, President and CEO of Primerica Corporation. While they address these issues from three different industry perspectives — consumer package goods, the media and financial services — all agree that among top management's major priorities is to protect and enhance the asset value of proprietary brand images. Their insightful and articulate observations shed new light on this timely topic.

Both brand and corporate identity were among the major topics of discussion at a Conference Board symposium held earlier this year in which we were proud to participate, and to which we have devoted a special section in this issue.

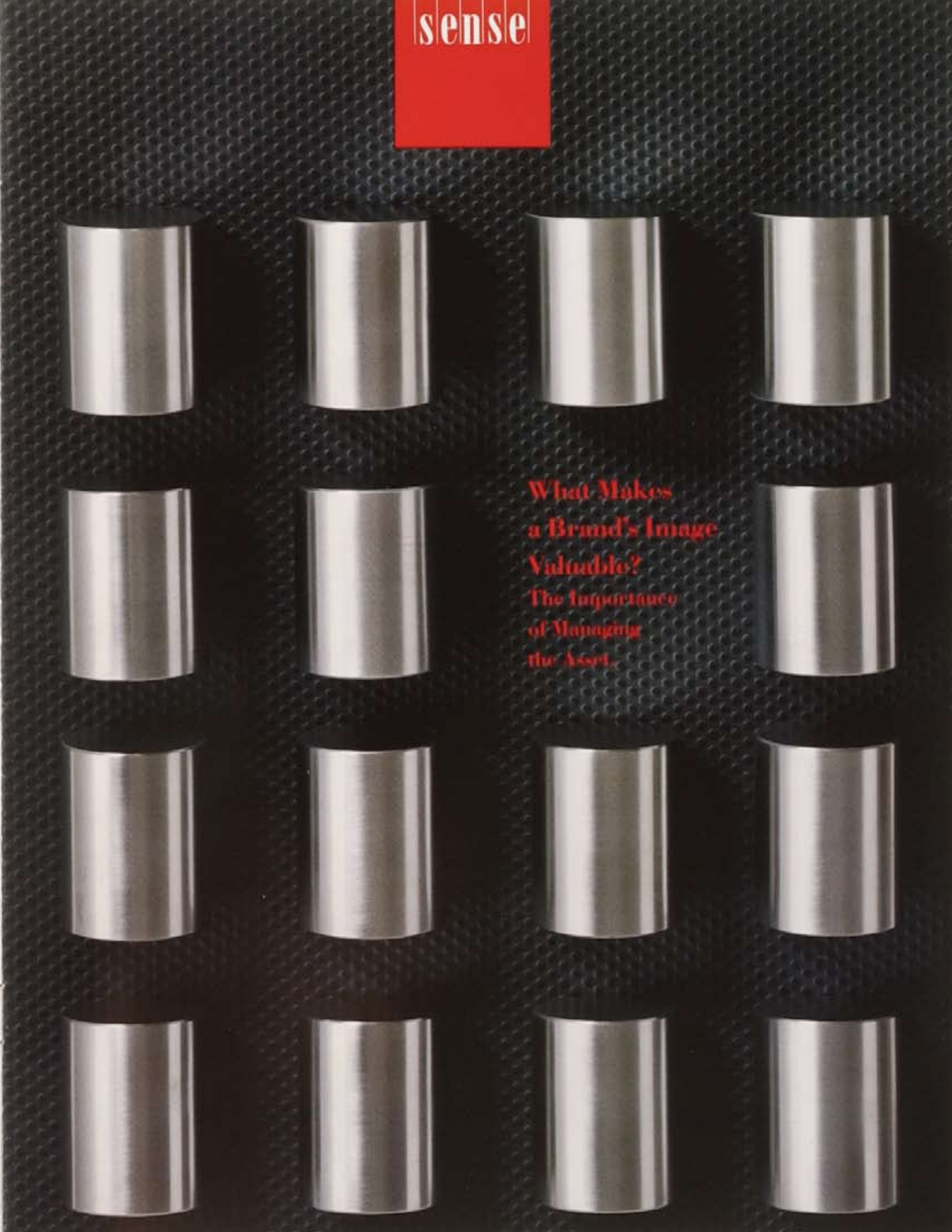
The format for the symposium — "Bringing Identity into Focus" — was a Socratic discussion of a fictional company called TPI, Inc., facing such very real problems as tainted products, questionable financial practices and the closing of a company-sponsored day-care center. In a spontaneous give-and-take forum, the panel, which included 15 top executives and communications professionals from business and the media, brought to life the complex dynamics of the impact of change and crisis on corporate identity and image. This lively discussion was captured on a videotape now available to readers of *Sense*. For your copy, please fill in the attached response card.

We welcome your comments and suggestions about the content of this issue of *Sense*, or on any aspect of brand identity and management practices.

Chairman and

Chief Executive Officer

sense



What Makes a Brand's Image Valuable?

The Importance of Managing the Asset

Herbert M. Baum

President

Campbell U.S.A.

"When you look at our balance sheet, you should see right through the cash, accounts receivable, plants and equipment on the asset side, to our brands. Our brands are the real assets we own. Without them, we have nothing."

An Interview with Herbert M. Baum

How important is it to you to manage your brands as corporate assets?

Campbell Soup Company is in the business of building brands. We are a branded foods company. When you look at our balance sheet, you should see right through the cash, accounts receivable, plants and equipment, etc. on the asset side, to our brands. Our brands are the real assets we own. Without them, we have nothing. In Campbell U.S.A. we have more No. 1 and No. 2 brands per dollar in sales than any other food company in America. When we lose market share, our assets decline; when we build market share, they grow.

What goes into a brand image?

A number of things. How the consumer perceives the product, of course. Also the attitudes of the retailers and wholesalers who may buy more of your product because they know it will sell. Then there is the critical corporate image to our shareholders and the financial community. And I would add a fourth element to that, a sense of pride among the people who work here, their understanding that Campbell Soup is a company that makes quality products consistently.

How do you go about managing that brand and maintaining that image of quality?

There are several components. One is a constant measurement against ourselves, and then a measurement against our competition. There's a continuous effort for quality improvement. That's part of a program we have called "Quality Proud." We're considering putting the motto "Campbell Quality Proud" on all our products, whether or not they carry the Campbell name. The other element of "Quality Proud" is being sure we have quality in our customer service, that we have on-time delivery, that we have the product delivered in good shape. It also applies to the quality of work life at the company, which is very important to us. So it really goes across all areas of our business. One of the key principles of our U.S.A. credo is that we stand for quality, and we mean it. We will accept nothing less.

How important is brand image as a competitive tool?

It's critical. People who respond to our research say that they automatically know that our products will taste good, that they're safe and that they can count on us because over the years Campbell has had such a strong quality image. What that means is that when a new product carries the Campbell name, consumers will try it because they know they won't be disappointed. Our brand images give us a leg up on the competition. If we get distribution, we get trial. Consumers trust our brands. That doesn't mean we're not going to spend money marketing our products, but brand images stretch your marketing firepower.

Haven't you slowed down the introduction of new products?

A few years back, after having been cited five years in a row for having more new products than any other food company, we adopted a back-to-basics strategy, concentrating on the brands that got us to where we are. That's working, and we're particularly proud of the fact that we have so many No. 1 or No. 2 brands.

But what's wrong with being, say, No. 4, if you make money at it?

We feel the odds for success in the marketplace are much better if you're No. 1 or No. 2. Given the number of new products that are going into the stores today, No. 4 brands are not going to stick around. There will be a No. 1 brand, a No. 2 brand, and maybe a store brand; that's the way it's evolving. It's critical to get a store to stock your product. If you

get a new product into the store, they will give you about six months, and if it's not meeting their volume requirements, the chances are they will discontinue it. So I'd rather go back to what's already in the store, and try to increase the movement of those established products.

Do you think companies are more concerned with brand image today than in the past?

It varies. But, I think they should be. The practice of some European companies of valuing their products on their balance sheets is probably the best way to look at a group of brands today because, as I said earlier, if you don't have your brands, what do you have? What you have are private label products, which don't differentiate you from your competitors. So your brands and the product quality behind them are really the most important assets you own.

What are the consequences of mismanaging a brand?

What you lose is consumer trust. They begin to suspect your quality. And if you mismanage a brand with the grocery trade...if your customer service lags...or if you don't deliver the product on time, they are less likely to buy not only your established brands, but your new products. People begin to lose faith across the system.

How can you make sure a brand image doesn't go stale?

One of the things you have to do is constantly refresh a brand. You must try new ways to bring new values to an old brand, such as changing your package or advertising message. There are no such things as mature brands; there are just mature strategies. We also concentrate on constantly monitoring what consumers think about our brands. We probably spend more time with consumers than most other food companies. At Campbell U.S.A., we all do our own grocery shopping so that we're familiar with the stores and what competitive products are out there, and who's doing what and when they're doing it.

What do you see ahead for brand image?

The age of mass markets is quickly slipping away. We've developed a strategy of regionalization that encompasses sales, marketing, distribution and manufacturing. We believe we need to introduce or renew our brand franchise to various population groups on a demographic or psychographic basis. So we are changing products and changing labels and changing our selling messages to better reflect our brand strategies by segment, where it makes sense for us to do so. The food industry is in a period where intense price competition is undermining brand-building. To combat this, we need better advertising that creates or reintroduces motivating brand benefits in a highly memorable way, all leading to reinforcement of price/value.

Do you think 1992 will have any impact on the strategy of marketing brands?

I think it will. But I like to quote Mark Russell, the comedian, who said: "1992 is coming, but we just don't know when." Everybody is focusing on 1992, but change won't happen overnight. It will be an evolutionary development. Our strategy is to prepare by acquiring as many solid European food companies as we can; we've been acquiring about five or six a year. Generally, they're small, leading-edge food businesses, most of them on the premium value-added end. We like the idea of taking over something small and building it into a fairly substantial niche business.

"...In the case of newspapers, not just *USA Today*, the biggest asset we carry on our books is goodwill, and the biggest item in that goodwill umbrella is the identification."

Allen H. Neuharth
Retired Chairman
Gannett Co., Inc.
Founder, USA Today
U.S.
by drug
everything
officials admit
housing loan errors
Pretoria Leader Sees Mandate
For a Change in Racial Policy

"...A good brand image can remove something from just being a commodity-type product with very narrow margins to the kind of product for which you can get premium prices."

Sanford I. Weill

Chairman, President

and Chief Executive Officer

Primerica Corporation

An Interview with Sanford I. Weill

Why is a brand image an important corporate asset?

It's very important, because a good brand image can remove something from just being a commodity-type product with very narrow margins to the kind of product for which you can get premium prices. That's providing, of course, that you manage the brand to create the quality that makes the customer happy. In the financial services business, where the product is being delivered by people, the perception of that brand is no better or no worse than the person making the contact. Management's job is quality control of the people.

How do you ensure your brand image won't be overtaken by time and circumstance?

That's again the job of management. We all know that if we stand still, we go backwards. You have to be willing to make decisions and take risks. You have to sustain the kind of environment that stimulates and encourages that, and not an environment of second-guessers that leaves everyone immobilized. Risk-taking; motivation of people; investment in the future; continually upgrading what you're doing; making sure you have an environment in which people are not afraid of challenging your positions. Those are the things you can do to compete effectively in a fast-changing world.

How do you relate that to a brand image?

You can look at a brand very much as you would an entire company. You examine what's happening in that category. Where can competition come in? What kind of decisions do you have to make to maintain your position? Should it be just one brand, or should you create alternative brands to maintain your market share? There are many companies that have adopted the philosophy of competing with themselves, and they've been very successful in doing so. And if you create the right aura about a product, you can obtain a premium price for it. A great example of that is the American Express Card.

What are the consequences of mismanaging a brand image?

It's very hard to build up a brand image, but it's very easy to destroy that brand loyalty. The real key is to maintain the quality of your product or service and convey the image of that quality. That's particularly important if you want to stay out of commodity-type competition, where price is the only objective. In the service industries, you must not forget that brand reputations are built by people. And so, much of the assets of the brand go down in the elevator every night. It's the job of management to make sure those people are kept to the highest standards and also to make sure that the business is managed so well, that they come back up in the elevator the next day. That's in services. In a product, in addition to maintaining the quality of the product itself, it's how you distribute it, how you get the shelf space so people can see it, and how you keep up the level of awareness in the marketplace.

How do you feel about a single brand image?

It's not necessary. The brand should be representative of the market it's serving. For us, A.L. Williams is a brand for one marketplace, while Smith Barney has an image for another, and Commercial Credit for still another.

Does the corporate image affect the brand image?

It does, in subtle ways. The corporate image reflects how people perceive the company, and that translates down to how people relate to the products and services the company provides.

Do you think Smith Barney's customers know it's part of Primerica?

Smith Barney is a much more recognizable brand than Primerica. But we are a unique situation. We're a very old company that for most of its life was in manufacturing and was called American Can. Over the last six or seven years, it made the transition into a financial services company and two years ago took on a new name, Primerica. How the reputation and the new name of the company will be perceived will be very much determined by how the company performs and by the quality of its products and services over the next five to ten years. The ideal situation is that we will add lustre to each other.

Do you see an advantage to consistency of image?

I see the advantage in consistency of quality. That's important no matter what business you're in. The quality of the service; the quality of delivery; the timeliness; how your people treat your customers. All those are essential to creating a consistently high image.

How do you manage your brand image on a day-to-day basis?

People like to do things that make them feel good. They like to deal with people or products or environments that make them feel good. So you must make them feel comfortable when they come across your threshold so they won't be intimidated and will appreciate the kind of service you're providing. The people quotient is something many businesses forget. Some experts say people are going to be outmoded by computers; they say it's too expensive to deliver services by highly-paid employees. I don't believe that at all. Hire the right people; motivate them, develop a very efficient distribution system, and you can provide a lot more customer satisfaction.

What about the global marketplace?

I see major changes in the world. Trade barriers are coming down in Europe. You're going to have a big marketing area that's going to work together, creating more jobs and sales opportunities. We will have to be more efficient to compete effectively. Many American companies have already awakened to the challenges of 1992, and when they move, they can move faster than their European counterparts. I think some American characteristics, such as aggressiveness, decisiveness and marketing know-how, will be a big plus in doing business in Europe in 1992 and beyond.

What's your long-term vision of the image you want Primerica to project?

I would like us to be thought of ten years from now as a company that is efficient, that in all of our areas can deliver products we can be proud of, and that has created a working environment in which our people feel that as a team we have built one of the really great American enterprises. If we can do all these things, our image will be fantastic.

TPI, Inc.

Founded: 1907, as Texas Oil and Petroleum Products, Inc.

Sales: $50.8 billion (1988)

Profits: $2.3 billion

Employees: 70,000

Share Ownership: Management, 5%; institutional investors, 82%; individuals/others, 13%.

Growth and Acquisitions

1914: Opens first StarBrite Service Station, now numbering 560 in 36 states and four European countries.

1924: Establishes Texas Foods Division, one of the world's largest vertically integrated food processors. With its BabyTreet and FrozenTreet brands, it holds leadership positions in baby food and frozen vegetables. Food products account for 28% of revenues.

1972: Food Division establishes a subsidiary to operate fast-food and convenience store outlets adjacent to service stations. 400 Bite Shops now in operation.

1976: Acquires Cellular Fiber Optics Laboratories, now the second largest manufacturer of cellular communications networks.

1978: Company changes its name to TPI, Inc.

1980: Acquires 80 percent of AgriGenetics, Inc., with key patents for new strains of wheat and leaner cattle. Assimilated into the parent company as TPI Technologies, Inc.

1982: Acquires Financial Futures, Inc., one of the top 10 asset-based lending institutions in the U.S. Operates as a TPI division called Texas Financial Services, Inc.

1986: Cellular Fiber Optics creates Satelink, Inc., the first national telephone messaging and paging network. Division establishes a model hiring and training program for inner-city minorities at its Detroit facility. Also operates an inner-city day-care center.

Mission Statement

The business purpose of TPI, Inc. is to:

1. Acquire and manage companies in its core businesses that contribute to a steady improvement in profit margins and share value;
2. To provide competitive wages and superior working conditions for all employees;
3. To improve the quality of life in the communities where it operates.

Bringing Identity into Focus

A seminar sponsored by The Conference Board, New York, moderated by Clive Chajet, Chairman and Chief Executive Officer, Lippincott & Margulies Inc.

Executives of successful companies understand that managing corporate image is a mainstream business activity; and shaping a winning and credible image of a company among its audiences is a priority responsibility of top management. And if management doesn't do it, events and individuals outside the company will inevitably create a de facto image of the company, not always to its liking.

Today more than ever, a company's image is inextricably linked to how well — or poorly — it addresses day-to-day events and crisis situations.

Earlier this year, we developed the program for a seminar on corporate identity, hosted by The Conference Board. Its purpose: to increase awareness of the importance of identity management on a company's performance and competitive position. Our distinguished panel — composed of CEO's and senior communications professionals for business and the media — was presented with a series of challenges facing the senior management of TPI, Inc., a fictitious company we developed for the seminar (the major elements of the case are contained in a sidebar to the left). The broad question to each panelist was: How would you handle this situation? What would you do to minimize the impact of the problem on the company's performance and its image?

Following are the challenges which the panel discussed. We hope that they engage your creative thinking and sharpen your business acumen as much as they did the panelists' — and the moderator's. In this brief space, it would be virtually impossible to capture the substance and subtlety of the lively discussion and the panelists' recommendations. A video of the actual conference proceedings, however, does just that. For a copy, please fill in the attached response card.

(Left)
Clive Chajet
Chairman and Chief Executive Officer
Lippincott & Margulies Inc

Kim M. Armstrong
Director of Advertising
AT&T Communications

Challenges

Crisis One — In December 1988, a baby in Boston becomes ill after eating arsenic-laced BabyTreet brand peaches, manufactured by TPI's Texas Foods Division. Company recalls all jars with the same production code. In January, three babies in Illinois die after eating arsenic-laced BabyTreet pears.

Discussion Topics: What steps should the company take to repair the damage done to its image? What can be done to prevent similar problems in the future? Should the division relaunch, reposition or eliminate the BabyTreet line? How much should be allocated to repair the damage? What messages should be communicated to consumers? The financial community?

Crisis Two — Standard and Poor's threatens to lower TPI's triple-A bond rating because of questionable investment practices of three senior managers at Texas Financial Services, Inc. Approximately 60 percent of the parent company's pension funds are invested in the bonds.

Discussion Topics: What steps can be taken to: reassure employees worried about their pension funds; maintain the confidence of the financial community; erase the negative perception of TPI management; respond to the media and Wall Street; retain the confidence of the Division's customers and keep marketing plans on track?

Crisis Three — Citing serious financial problems, the head of TPI's Cellular Fiber Optics Division lays off 600 workers, suspends minority hiring and training programs and — saying it is a wholly discretionary activity in the first place — shuts down Division-sponsored day-care center. Public interest group files class action suit claiming that the company is guilty of de facto discrimination by closing the day-care center.

(Left)
Myron Kandel
Financial Editor
Cable News Network

Edward J. Meyer
Vice President
Marketing and Strategic Development
Sun Refining and Marketing Company

Discussion Topics: What course of action will hurt the Company least? From an employee relations perspective, is the Company's position on closing the center sound? Should the Company consolidate media relations functions of all subsidiaries? How should the chairman answer Ted Koppel's "Night Line" query: Is the closing of the center the act of a good corporate citizen? Should the Company develop an alternative inner-city program, fund job training for laid-off workers, or do nothing?

Crisis Four — A leading LBO firm requests a meeting with management to discuss an unwelcome leveraged buy out. Company analysis shows breakup value to be 40 percent more than the current share value. The Company is committed to remaining independent.

Discussion Topics: Should the Company sell-off assets to prevent a takeover and, if so, which assets should be sold? If the Company sells StarBrite Service Stations, should it retain the StarBrite brand name? Can the StarBrite name flourish without a TPI endorsement? If the Texas Foods Division is sold, should TPI retain the Division name? What arguments can be advanced for keeping the Company independent? For agreeing to an LBO? What public policy issues are involved in an LBO? What type of communications programs should be initiated to support the Company's position? In the interim, should marketing plans and objectives be suspended or adjusted?

Crisis Five — The Company decides to sell its Texas Foods Division, Bite Shop convenience stores and TPI Technologies, Inc. It retains the Texas Oil and Petroleum Products Division, StarBrite Service Stations, Cellular Fiber Optics Labs and Texas Financial Services, Inc.

Discussion Topics: What kind of image should the new company strive to create and how? Should the company adopt an entirely new identity, including a new corporate name, to signal change?

(Left)
Franklin T. Jepson
Corporate Vice President
Communications and Investor Relations
Bausch & Lomb Inc.

Joseph M. Kayal
Director of Corporate Identity
NYNEX Corporation

Here are some of the companies with whom we have been associated since 1945.

AT&T
Acustar
AmBase Corporation
Amdura Corporation
American Express
American/National Can Company
AmeriTrust
Amtrak
ARCO Products Company
Arkwright Mutual Insurance Co.
B.A.T.U.S. Retail Group
Bausch & Lomb Inc.
Beneficial
Bonimart
Bowery Savings Bank
Burlington Northern
California Mart
Caltex Petroleum
Canadian Pacific
Centerior Energy
Chemical Bank
Chevron
Chrysler Corporation
Cities Service (CITGO)
Coca-Cola
Coldwell Banker
Comerica
Consolidated Edison
Del Monte
Duracell Inc.
Eastern Airlines
Eaton
Enron Corp.
Exxon
Federal Express
Firestone
First Union
Forschner Group
General Motors
Genetics Institute
Genstar
Goldman Sachs
Goldome
Hanover House
Hardee's
Hartmarx
Hertz
Humana
INFINITI
Isuzu Motors
Johnson & Johnson
Julien J. Studley
Leslie Fay
Lifetouch
LOEB Inc.
Marine Midland Bank
Marriott
Marsh & McLennan Companies, Inc.
Mead Johnson
Meritor Financial Group
Midlantic Bank
Monterey House Restaurants
NCR Corporation
NERA, Inc.
New Brunswick, Province of Canada
New York Life
Neworld Bank
Nissan
Noxell
NYNEX
PacifiCorp
Papa Gino's
Pathmark
Petro-Canada
Pizza Hut
Primerica Corporation
Public Services Company of New Mexico
Public Service Enterprise Group
RCA
Rainier Bank
Ryder System Inc.
Salomon Brothers
SCANA
ServiStar
ShowBiz Pizza Time
Sunoco
TACOTICO
Tambrands
The Standard Oil Company
TRIAN Group
Trustmark
Türkiye İş Bankasi A.Ş.
Uccel Corporation
Union Mutual
Uniroyal
United Technologies
Unocal
UNUM Corporation
Western Union
Westinghouse Broadcasting
Xerox

Lippincott & Margulies Inc

Lippincott & Margulies, founded in 1945, pioneered the practice of identity and image management. The firm assists companies in shaping the perception of their organizations, retail businesses, services and products through the development of proprietary communications strategies and identity systems.

Image Analysis and Identity Planning
Corporate identity & image assessment
Image audit & competitive analysis
Communications positioning strategies & statements
Communications architectures
Board of directors & management consensus building

Name and Name Systems
Name evaluation
Name & nomenclature development
Naming systems
Branding architectures

Design and Design Systems
Logotype & symbol design
Graphic design systems
Environmental, retail & facility design
Retail identity system design
Product design
Package design
Identity standards & guidelines
Design management

Implementation and Introduction
Identity introduction planning
Identity launch programs
Employees & management orientation seminars
Implementation supervision

Identity and Image Management
Post introduction evaluation
System usage seminars
Benchmark and ongoing research

Integrated New Product & Service Development
Positioning strategies
Brand names
Communications program management
Brand extension

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Primerica® is a registered trademark of Primerica Corporation.

Gannett® is a registered trademark of Gannett Co., Inc.

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